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E.O. 11652: N/A
TAGS: PFOR, PINT, EGEN, MX
SUBJ: ECHEVERRIA'S LAST INFORME: "PALABRA CUMPLIDA"

1. SUMMARY: ECHEVERRIA'S LAST ANNUAL STATE OF THE UNION
ADDRESS (INFORME) WAS A NEARLY SIX HOUR DEFENSE AND PRAISE
OF THE ACCOMPLISHMENTS OF HIS ADMINISTRATION, THE THEME BEING
THAT 1970 PROMISES HAD BEEN FULLY KEPT. WHILE PORTIONS OF SPEECH WERE

VINTAGE ECHEVERRIA, PRESIDENT OTHERWISE SEEMED SUBDUED AND
DRAINED BY YESTERDAY'S PESO DRAMA. MAIN POLITICAL
INTEREST IN THIS MARATHON PERFORMANCE WAS NON-TRADITIONAL
PRESENCE OF PRESIDENT-ELECT JOSE LOPEZ PORTILLO, WHICH
TOGETHER WITH REMARKS IN THE PERORATION, SEEMED DESIGNED TO
CLAM FEARS AND SUSPICIONS ABOUT THE TRANSFER OF POWER.
ECONOMICALLY, PRESIDENT SKETCHED OUTLINE OF A POLICE
TO ACCOMPANY THE FLOATING OF THE PESO.
FOREIGN POLICY CONTENT PREDICTABLY EMPHASIZED
ACCOMPLISHMENTS OF INDEPENDENT FOREIGN POLICY, STRESSED
THE NEED FOR AND PROGRESS TOWARDS THE NEW ECONOMIC
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ORDER, AND TOOK A FEW OBLIQUE BUT UNMISTAKABLE SWIPES

AT THE US, INCLUDING GROUPS IN THE US "ALLIED WITH REACTIONARY MEXICAN ELEMENTS ATTEMPTING TO SUBVERT THE REVOLUTION", BUT WE'VE EXPERIENCED HARSHER TREATMENT. END SUMMARY.

2. FREEDOM OF PRESS (EXCELSIOR). IN ALLUSION TO CHARGES OF GOM INVOLVEMENT IN EXCELSIOR COUP, PRESIDENT SAID THAT FAR FROM EVER INTERFERING WITH "ANY MANIFESTATION OF THOUGHT", HIS ADMINISTRATION HAD "GOVERNED IN THE LIGHT OF DAY", PLACING NO RESTRICTIONS ON FREE SPEECH AND GRANTING EVEN GREATER OPPORTUNITY FOR THE EXERCISE OF FREE SPEECH.

3. TERRORISM: IN INTRODUCTORY SECTION, THE PRESIDENT CHARACTERIZED TERRORISM AS "ISOLATED OUTBREAKS OF CRIME CLOAKED IN THE GUISE OF POLITICS". THE PERPETRATORS OF SUCH CRIMES HE DESCRIBED AS SEEKING "TO UNDERMINE NATIONAL INTEGRATION AND THE CONSOLIDATION OF OUR SOVEREIGNTY BY OPPOSING POPULAR PARTICIPATION AND BY DIVERTING EFFORTS TO REDUCE MARGINALIZATION." HE THEN SAID THAT THE PEOPLE, HOWEVER, "ARE NOT DECEIVED BY THE FALSE LANGUAGE OF TERRORISM" AND THAT THE TERRORISTS WOULD BE UNSUCCESSFUL IN THEIR ATTEMPTS TO INDUCE THE MEXICAN GOVERNMENT TO IMPOSE REPRESSIVE MEASURES. HE CALLED TERRORISM "COUNTER-REVOLUTIONARY," "REACTIONARY," AND "FASCIST." TERRORISM, HE SAID, IS A THING SEPARATE FROM THE PEOPLE, A THING WHICH MANIFESTS "ITS AUTHORS' INABILITY TO CONVINCE AND WIN IN THE AREA OF POLITICS AND IDEAS." HE SAID THAT THE GOVERNMENT WOULD NOT COMPROMISE "ITS LOFTY OBJECTIVES" BY "ANSWERING VIOLENCE WITH VIOLENCE" AND, IN A REFERENCE TO THE POSSIBLE FOREIGN SUPPORT OF TERRORIST GROUPS, THAT "NEITHER THE MACHINATIONS OF ANY FOREIGN CAMPS NOR THEIR CRIMINAL MERCENARIES WITHIN OUR COUNTRY WILL SAP OUR WILL FOR INDEPENDENCE OR DIVERT US FROM THE ROAD OF SOCIAL PROGRESS." LATER, IN FOREIGN POLICY SECTION, PRESIDENT REFUTED CHARGES THAT CHILEAN EXILES WERE INVOLVED IN TERRORISM, SAYING TERRORISM CAME 'FROM THE OTHER SIDE, FROM CHILEAN FASCISM, AIDED FROM ABOARD". HE RECEIVED STANDING APPLAUSE.

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4. LABOR POLICY: PRESIDENT CLAIMED HIS ADMINISTRATION HAD AIDED LABOR SECTOR PRINCIPALLY BY KEEPING GROWTH RATE HIGH IN PERIOD OF WORLDWIDE RECESSION AND BY WAGE POLICY DESIGNED TO MAINTAIN PURCHASING POWER OF WORKING MAN. INTERESTING STATISTIC: PRESIDENT CLAIMED 80,000 WORKERS HAD JOINED RANKS OF ORGANIZED LABOR DURING HIS ADMINISTRATION, AN EXTREMELY LOW NUMBER, CONSIDERING

LABOR FORCE HAS GROWN BY NEARLY 5 MILLION SINCE 1970.

5. TRANSFER OF POWER: IN HIS TEN PAGE PERORATION, THE PRESIDENT INDIRECTLY ADDRESSED CONCERNS THAT HE WILL SEEK TO RETAIN A MEASURE OF POLITICAL POWER AND INFLUENCE BY DECLARING THAT THE "ABSOLUTE IMPOSSIBILITY OF RE-ELECTION OF THE CHIEF EXECUTIVE IS THE KEY TO OUR POLITICAL SYSTEM.." HE DEFENDED THE CONTINUING INTENSE ACTIVITY OF HIS ADMINISTRATION (WHICH IS PERCEIED BY SOME AS A REFUSAL GRADUALLY TO WITHDRAW AND TO CEDE POLITICAL POWER TO THE INCOING GOVERNMENT) AS A REFUSAL TO LET DEVELOP A POLITICAL VACUUM WHICH WOULD PERMIT MINOTIRY GROUPS TO IMPOSE THEIR WILL UPON THE MAJORITY. AFTER DECLARING THAT MEXICO HAD PASSED THE AGE OF PERSONALISTIC POLITICAL RULE, ECHEVERRIA SAID, "I SHALL THEREFORE TURN OVER THE SUPREME MANDATE OF THE REPUBLIC TO JOSE LOPEZ PORTILLO WITH ALL MY HOPES AND CERTAINTIES AS A MEXICAN CITIZEN". EARLIER, IN HIS EXPLANATION AND DEFENSE OF DEVALUATION, THE PRESIDENT HAD REFERRED TO THE NEXT PRESIDENT IN A PASSAGE RECEIVING PROLONGED APPLAUSE.

THE PRESIDENT'S REMARKS STRIKE US AS ABEING APPROPRIATE TO THE OCCASION. JUST THE PRESENCE OF PRESIDENT-ELECT LOPEZ PORTILLO AT THE INFORMED UNDERSCORED LE'S PUBLIC COMMITMENT TO A SMOOTH TRANSFER OF POWER. HIS REMARKS SUMMARIZED ABOVE SEEMED DESIGNED TO CALM FEARS ABOUT THE TRANSITION WITHOUT BEING SO SPECIFIC AS TO MAKE HIM APPEAR DEFENSIVE OR OVERLY SENSITIVE TO SUSPICIONS REGARDING HIS INTENTIONS.

6. FOREIGN POLICY: IN THE FOREIGN POLICY SECTIO OF THE INFORME, ECHEVERRIA PUT INTERNATIONAL RELATIONS LIMITED OFFICIAL USE

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SQUARELY IN THE DEVELOPED WORLD VS. THIRD WORLD CONTEXT, BLAMING THE UNEQUAL WORLD ECONOMIC SYSTEM, RESULTING FROM COLONIALISM AND NEO-COLONIALISM, FOR EVERYTHING FROM FOOD SHORTAGES TO DEBT BURDEN OF THE THIRD WORLD, (INCLUDING MEXICO'S PESO PROBLEM). HE PREDICATABLY SAW CERDS, WHICH "EVEN THOSE WHO VOTED AGAINST IT WILL EVENTUALLY RECOGNIZED AS AN OBJECTIVE AND BALANCED STATEMENT," AS THE SOLUTION FOR THESE ILLS. BUT THE OVERRIDING MESSAGE WAS ECHEVERRIA' DEFENSE OF HIS POLICY OF BREAKING DEPENDENCY ON THE U.S.

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ECHEVERRIA DESCRIBED THE UN AS THE "ONLY INSTITUTION AVAILABLE THAT CAN BRING PEACE AND SECURITY TO THE WORLD" AND REITERATED A DEMAND FIRST MADE IN 1971 TO REFORM THE SECURITY COUNCIL AND ITS VETO SYSTEM. IN IMPROVISED REMARKS ON RELATIONS WITH SPAIN, ECHEVERRIA PRAISED SPANISH "DEMOCRATIZATION" AND STATED THAT MEXICO LIKELY TO RENEW RELATIONS, AT THE END OF HIS TERM OR MORE LIKELY AT THE BEGINNING OF JLP'S.

7. U.S. RELATIONS: ALTHOUGH SPECIFIC REFERENCES TO US-MEXICAN BILATERAL ISSUES WERE FEW, CONSTANT ALLUSIONS WERE MADE BOTH IN THE TEXT AND IN AD-LIBBED REMARKS TO U.S. INTERVENTION IN MEXICAN AFFAIRS AND THE AFFAIRS OF OTHER NATIONS. IN DESCRIBING MEXICO AS PART OF THE THIRD WORLD, HE REFERRED TO MEXICO'S SUFFERING FROM "THE MOST BRUTAL ACTS OF EXPANSIONISM". IN EVERY MENTION OF CHILE (WHICH RECEIVED THE GREATEST APPLAUSE), HE DESCRIBED THE OVERTHROW OF THE ALLENDE GOVERNMENT "WITH EXTERNAL HELP". IN DISCUSSING MEXICO'S ACCEPTANCE OF POLITICAL ASYLEES, HE MADE AN OBVIOUS REFERENCE TO LIMITED OFFICIAL USE

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THE LETTER OF THE 76 U.S. CONGRESSMEN TO PRESIDENT FORD
WHEN HE DENIED ACCUSATIONS THAT CHILEAN EXILES ARE
TAKING OVER THE MEXICAN GOVERNMENT.

THERE WERE ALSO SEVERAL MENTIONS OF MEXICAN OPPOS-
ITION TO "POWERFUL NATIONS WHICH IMPOSE ECONOMIC BLOCK-
ADES ON THOSE NATIONS WHO CHOOSE A DIFFERENT PATH."
FINALLY, HE ENDED HIS FOREIGN POLICY SECTION WITH A ROUS-
ING CONDEMNATION OF "POWERFUL ECONOMIC INTERESTS"
(READ U.S.) WHICH HAVE "FINANCED AND PROMOTED INSIDIOUS
ATTACKS AGAINST MEXICO" AND OF "INTERNAL COLLABORATION-
ISTS" WHO HAVE "REJOICED" AT SUCH ATTACKS AND HAVE
ACTIVELY PARTICIPATED IN A FUTILE ATTEMPT TO UNDERMINE
THE INDEPENDENT DECISIONS OF OUR NATIONS."

OF THE FEW SPECIFIC MENTIONS OF US-MEXICAN ISSUES,
ECHEVERRIA SPENT THE MOST TIME ON THE BRACERO PROBLEM
AND REITERATED THAT MEXICO WOULD NOT SEEK A NEW BRACERO AGREE-
MENT BECAUSE PAST AGREEMENTS HAD AGGRAVATED, NOT SOLVED, PROBLEM.
WHILE AGAIN STRESSING THAT THE PROBLEM IS
ESSENTIALLY MEXICO'S, HE ASSURED HIS AUDIENCE THAT MEXICO
WOULD BE "UNCOMPROMISING" IN ITS DEFENSE OF ITS UN-
DOCUMENTED CITIZENS IN THE U.S. DESPITE THESE GENERALIZED
COMPLAINTS SWATHED IN TRADITIONAL RHETORIC, OUR
IMPRESSION IS THAT CRITICISMS OF THE U.S. WERE GENERALLY
MILDER AND LESS DIRECT THAN IN PAST ECHEVERRIA
INFORMES. END LIMITED OFFICIAL USE. BEGIN UNCLASSIFIED.

8. ECONOMIC POLICY.

IN HIS INTRODUCTION TO THE SECTION OF HIS ADDRESS
DEALING WITH ECONOMIC POLICY, PRESIDENT ECHEVERRIA
LAUDED THE CONTRIBUTION OF THE WORKERS AND MANAGERS
IN THE PRIVATE SECTOR TO THE COUNTRY'S CONSTITUTIONALLY
MIXED-ECONOMY. THE STATE'S ROLE WAS THEEQUITABLE
REGULATION OF THE COLLECTIVE EFFORTS OF THE PRIVATE
SECTOR AND THE DEVELOPMENT OF SOCIAL AND ECONOMIC
INFRASTRUCTURE. THIS INCLUDES TAX REFORMS, PUBLIC
PRICING AND CREDIT POLICY, AS WELL AS FOREIGN FINANCING.
IT ALSO INCLUDES PUBLIC INVESTMENT IN INDUSTRIAL AREAS
WHERE PRIVATE INITIATIVE IS INADEQUATE, SUCH AS
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AGRICULTURE, OIL DEVELOPMENT, EDUCATION, ETC. IT
ALSO INCLUDES EXPORT PROMOTION AND MARKET DIVERSIFICATION,
THE DEVELOPMENT OF NEW TOURISM INITIATIVES AND LAWS
DEVOTED TO STIMULATION OF DOMESTIC INDUSTRY.
ECHEVERRIA STRONGLY EMPHASIZED THE ROLE OF GOVERNMENT
PARTICIPATION IN THE MEXICAN ECONOMY. ELSEWHERE,

HE NOTED THERE ARE 740 PUBLIC COMPANIES NOW COMPARED TO 86 STATED OWNED ENTERPRISES IN 1970.

THE MOST CRITICAL SITUATION WHICH THE GOME HAD TO FACE DURING ECHEVERRIA'S ADMINISTRATION WAS THE ECONOMIC CRISIS WHICH CONFRONTED ALL COUNTRIES IN 1971 WITH THE DOLLAR "FLOAT", EXACERBATED BY COMMODITY PRICE RISES OVER THE NEXT TWO YEARS. HOWEVER, MEXICO HAD TO PRESS ON WITH THE RESTRUCTURING OF ITS ECONOMY. FOR THIS PURPOSE THE FORMER FIXED PARITY NO LONGER REFLECTED A PROPER RELATION BETWEEN DOMESTIC AND FOREIGN PRICES AND MEXICO'S BALANCE OF PAYMENTS WAS DETERIORATING. THE NEW EXCHANGE RATE MUST BE DETERMINED BY MARKET FORCES AND FREE CONVERTIBILITY MAINTAINED. THE FLUCTUATION OF THE RATE, HOWEVER, WOULD BE REGULATED BY THE BANK OF MEXICO TO AVOID EXCESSIVE MOVEMENTS. THE PRESIDENT THEN BRIEFLY OUTLINED THE FINANCIAL AND ECONOMIC MEASURES THE GOVERNMENT AND THE BANK OF MEXICO WOULD TAKE TO MAKE THE NEW PESO RATE EFFECTIVE. FINALLY HE CALLED ON ALL SECTORS OF THE ECONOMY: MANAGEMENT, LABOR, AND PUBLIC TO COOPERATE IN THE GOVERNMENT'S PROGRAM TO REACTIVATE THE ECONOMY AND NOT TRY TO TAKE ADVANTAGE OF THE SITUATION TO INCREASE THEIR SHARE OF THE SOCIAL PRODUCT. (FOR MORE DETAIL ON PRESIDENTIAL STATEMENT CONCERNING PESO FLOAT AND ACCOMPANYING MEASURES SEE SEPTEL,)

9. SOCIAL POLICY:

AFTER AN INTRODUCTION IN WHICH THE PRESIDENT SAID THAT CAMPESINOS AND WORKERS ARE THE "TRUE AUTHORS OF A BODY OF MEXICAN SOCIAL LEGISLATION THAT WAS ONE OF THE FIRST IN THE WORLD" THE PRESIDENT WENT ON TO SPELL OUT SOCIAL POLICY IN SEVERAL AREAS.

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A. AGRARIAN POLICY:

ON THE THORNY LAND TENURE QUESTION, THE REPORT APPEARS TO GIVE MORE SUPPORT TO THE CAMPESINO SECTOR THAN THE PRIVATE ENTERPRISE SECTOR STATING THAT EJIDATARIOS AND THE "TRUE" SMALL LANDOWNERS HAVE IN THE GOVERNMENT A DEFENDER OF THEIR RIGHTS. THE REPORT MENTIONS VARIOUS AMENDMENTS TO THE CONSTITUTION AND OTHER LEGISLATION WHICH HAVE ENABLED THE ADMINISTRATION TO ACCELERATE THE REGULARIZATION OF LAND TENURE. TO FURTHER REDUCE RED TAPE, THE PRESIDENT SAID HE WILL SUBMIT A NEW BILL TO AMEND THE AGRARIAN REFORM LAW

TO SHORTEN PRO-
CEDURES TO SETTLE LAND TENURE DISPUTES
FOR THE BENEFIT OF EJIDATORIOS AND SMALL LANDOWNERS.
DURING THIS ADMINISTRATION, TITLES FOR SOME 16 MILLION
HECTARES HAVE BEEN PLACED IN THE HANDS OF THEIR
RIGHTFUL CLAIMANTS. AT THE SAME TIME 22,556 CERTI-
FICATES OF INAFFECTABILITY (A SAFEGUARD AGAINST LAND
SEIZURE) WERE ISSUED TO LEGITIMATE LANDOWNERS. IN
REFERENCE TO RURAL UNREST (LAND INVASIONS AND
THREATENED PRODUCER STRIKES) DURING THE PAST YEAR,
THE REPORT BLAMES THIS ON A PROPAGANDA ATTACK BY THOSE
WHO KNOWINGLY HAVE VIOLATED THE RIGHTS OF CAMPESINOS
UNDER THE MISTAKEN IMPRESSION THAT THE MEXICAN
REVOLUTION HAD FORGOTTEN ITS BASIC OBJECTIVES,
SECURITY IN RURAL AREAS MUST BE BASED ON RESPECT.
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FOR THE LAW AND PROVIDE LANDOWNERS WITH "SECURITY
TO INVEST AND PRODUCE BUT NOT TO EXPLOIT THE
CAMPESINOS", THE REPORT DENIES THE CLAIM THAT
EFFICIENCY IN MEXICAN AGRICULTURE CAN ONLY BE

ACHIEVED THROUGH THE REPRESSION OF CAMPESINO DEMANDS.
THE GOVERNMENT'S POSITION IS TO CREATE CONDITIONS
FOR A TRUE MATERIAL AND CULTURAL EQUALITY THAT WILL
MAKE IT POSSIBLE FOR ALL MEXICANS TO FULLY DEVELOP
THEIR POTENTIAL, FOR IF THERE IS NO SOCIAL PEACE IN
THE COUNTRYSIDE THERE CANNOT BE REAL SECURITY FOR
DEVELOPMENT.

B. SOCIAL WELFARE

AFTER BLAMING THE PROBLEM OF WORLD HUNGER ON AN UNJUST
INTERNATIONAL ECONOMIC ORDER AND LAUDING MEXICO'S
EFFORTS TO CORRECT THIS SITUATION, THE PRESIDENT WENT
ON TO CATALOG MEXICAN EFFORTS IN DOMESTIC AREAS OF
FOOD PRODUCTION AND DISTRIBUTION, HOUSING, HEALTH, FAMILY
PLANNING, SOCIAL SECURITY, ENVIRONMENTAL PROTECTION, AND CHILD
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WELFARE.

10. NATIONAL DEVELOPMENT

A. PLANNING

CONSISTENT WITH THE REST OF HIS ADDRESS, THE PRESIDENT
STRONGLY EMPHASIZED THE TRANSITIONAL NATURE OF HIS GOVERN-
MENT, MOVING AS IT DID FROM A SOCIETY CHARACTERIZED BY
"DECADES OF UNEQUAL OPPORTUNITY AND OF EXPANSION OF
FORCES OF PRODUCTION THAT NEGLECTED LEGITIMATE AND
URGENT SOCIAL NEED," TO NEW "ESSENTIAL PRIORITIES...
EQUITABLE DISTRIBUTION OF WEALTH,... CREATION OF (MORE)
JOBS..., AND THE STRENGTHENING OF NATIONAL INDEPENDENCE.Z

B. INFRASTRUCTURE

REFERRING TO THE TRANSPORTATION AND COMMUNICATION SECTOR,
THE PRESIDENT RECAPITULATED MEXICO'S ACCOMPLISHMENTS
DURING HIS ADMINISTRATION...DOMESTIC PRODUCTION OF SUBWAY
CARS: THE TRIPLING OF THE COUNTRY'S ROAD NETOWRK; MODERNI-
ZATION OF MEXICO'S BASIC RAILWAY NETWORK AND TELECOMMUNI-
CATIONS SYSTEM; CONSTRUCTION OF 11 NEW AIR TERMINALS, WITH
9 OTHERS UNDERWAY; ESTABLISHMENT OF A COMMISSION TO REFORM
OPERATIONS OF 12 MAJOR SEAPORTS: AND BEGIN CONSTRUCTION
OF 7 NEW PORTS; IMPROVEMENT IN THE TELECOMMUNICATIONS
FIELD AND POSTAL SERVICE.

C. AGRICULTURE AND LIVESTOCK DEVELOPMENT

IN AGRICULTURAL DEVELOPMENT, THE PRESIDENT STRESSED THE
NEED TO IMPROVE OUPUT AND LIVING CONDITIONS IN THE RURAL
SECTOR TO BRING THEM MORE CLOSELY TO THE LEVEL ENJOYED

BY THE COUNTRY'S OTHER SECTORS. HE REITERATED HIS ADMINISTRATION'S EFFORTS TO ENCOURAGE PRODUCTION, CITING SOME VERY IMPRESSIVE FIGURES, I.E. A TENFOLD INCREASE IN GOVERNMENT FUNDS ALLOCATED TO AGRICULTURE; A DOUBLING OR TRIPLING OF GRAIN AND OILSEED SUPPORT PRICES; A ONE MILLION PLUS HECTARE INCREASE IN IRRIGATED LANDS AND A SUBSTANTIAL INCREASE IN OTHER INPUTS, SUCH AS FERTILIZER AND IMPROVED SEEDS.

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THESE IMPROVEMENTS HAVE PERMITTED A RETURN TO SELF-SUFFICIENCY OF MOST BASIC FOOD GRAINS INCLUDING SOME BUILDUP OF RESERVES, THE PRESIDENT STATED. HE ALSO NOTED THAT THE AGRICULTURAL TRADE BALANCE PROVIDED SOME FOUR BILLION PESOS ON THE PLUS SIDE IN 1975.

GOVERNMENT AGENCIES SUPPORTING AGRICULTURE HAVE BEEN REORIENTED BY COMBINING THE THREE AGRICULTURAL CREDIT INSTITUTIONS INTO ONE RURAL CREDIT BANK AND BY THE ESTABLISHMENT OF A NATIONAL COMMISSION TO COORDINATE AGRICULTURAL POLICY. THE REPORT GOES INTO SOME DETAIL ON THE CHANGES TAKING PLACE IN THE SUGAR INDUSTRY AND MENTIONS THE INCREASED ROLE OF THE STATE-SUPPORTED AGENCIES IN COFFEE, SUGAR AND TOBACCO.

D. INDUSTRIALIZATION

PRESIDENT ECHEVERRI'S INTRODUCTION TO THE SECTION ON INDUSTRIALIZATION ASSERTED THE NECESSITY FOR GREATLY INCREASED STATE PARTICIPATION IN THE ECONOMY. A POOR COUNTRY WHOSE NEEDS AND POPULATION ARE GROWING RAPIDLY, WHERE SECTORAL AND REGIONAL IMBALANCES EXIST WITH UNJUST DISTRIBUTION OF INCOME, CANNOT FOLLOW A GROWTH MODEL BASED ON THE PERFORMANCE OF INDUSTRIALIZED COUNTRIES, ONE WHICH IS ORIENTED TO ELITEST GOALS OF LUXURY PRODUCTS. MEXICO NEEDS BASIC INDUSTRIAL DEVELOPMENT, AND PLANNING TO AVOID ARBITRARY IMPROVISATION IN INDUSTRIAL DEVELOPMENT IMPOSED BY ROTE IMPORT SUBSTITUTIONS DICTATED BY OUTSIDE PRESSURES. THE PRESIDENT ASSERTED THAT INCREASE GOVERNMENT PARTICIPATION IN THE ECONOMY IS REQUIRED TO ASSURE THAT INVESTMENT AND OTHER ECONOMIC PRIORITIES ARE IN LINE WITH THE BASIC SOCIAL GOAL OF THE MEXICAN PEOPLE.

A PRINCIPAL TOOL OF GOM INVESTMENT POLICY IS NACIONAL FINANCIERA (GOVERNMENT DEVELOPMENT BANK) WHICH IN LAST SIX YEARS LENT ONE HALF ITS TOTAL LOANS SINCE ITS FOUNDING 42 YRS AGO. TOGETHER WITH SOMEX (GOM'S INDUSTRIAL CREDIT BANK), GOM FUNNELED INVESTMENT FUNDS INTO ENERGY, IRON & STEEL, PETRO-CHEMICALS, FERTILIZERS AND MINING, MOST GOING

TO STATE-OWNED ENTERPRISES.

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THE PRESIDENT REVIEWED A FEW OF THE MORE DRAMATIC INDUSTRIAL DEVELOPMENTS OVER THE LAST SIX YEARS.

TODAY PETROLEUM PRODUCTION IS OVER A MILLION BARRELS DAILY -- AN INCREASE OF 100 PERCENT SINCE 1970. THE NEW PETROLEUM DEPOSITS IN CHIAPAS AND TABASCO PRODUCE 530 THOUSAND BARRELS DAILY. MEXICO HAS REGAINED ITS STATUS AS A PETROLEUM EXPORTING NATION, THEREBY FINANCING ECONOMIC EXPANSION AND SOCIAL IMPROVEMENT.

TO INCREASE REFINING CAPACITY AND SATISFY DEMAND FOR PETROLEUM DERIVATIVES, PEMEX HAS INVESTED 57 BILLION 434 MILLION PESOS, BECOMING THE NATION'S LARGEST INVESTOR. ENLARGEMENTS WERE MADE IN 8 REFINERIES AND THREE NEW REFINERIES WERE AUTHORIZED, OF WHICH ONE HAS BEEN INAUGURATED. THE REFINING CAPACITY HAS INCREASED 62 PERCENT SINCE 1970.

NOW MORE THAN 70 PERCENT OF INVESTMENTS IN SECONDARY PETRO-CHEMICAL PRODUCTS ARE IN MEXICO. THE LARGEST PETROCHEMICAL COMPLEX IN LATIN AMERICA IS UNDER CONSTRUCTION IN CANGREJERA, VERACRUZ. THREE AMMONIA PLANTS WITH A PRODUCTION OF 3500 TONS DAILY ARE UNDER CONSTRUCTION.

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IN THE ELECTRIC POWER SECTOR, THE PRESIDENT TOOK CREDIT FOR DOUBLING MEXICO'S INSTALLED GENERATING CAPACITY DURING HIS ADMINISTRATION. HE REFERRED TO THE LABOR UNREST THAT HAS PLAGUED THE POWER INDUSTRY, AND SAID THAT THE NATION'S INTERESTS MUST COME BEFORE THOSE OF ANY INDIVIDUAL OR SPECIAL INTEREST GROUP. HE MENTIONED THE NEW HYDROELECTRIC AND GEOTHERMAL PROJECTS IN CHIAPAS AND BAJA CALIFORNIA RESPECTIVELY, BUT REFERRED ONLY IN PASSING TO THE NUCLEAR PROJECT AT LAGUNA VERDE.

THE MEXICANIZATION OF MEXICO'S MINING INDUSTRY IS PRACTICALLY CONCLUDED; 99 PERCENT OF NATIONAL PRODUCTION COMES FROM 920 MEXICAN MINING COMPANIES. GOVERNMENT INVESTMENT IN THIS ACTIVITY BETWEEN 1970 AND 1976 WAS GREATER THAN THE TOTAL INVESTMENT DURING THE PRECEDING 70 YEARS. MINING PRODUCTION INCREASED FROM 7.4 BILLION PESOS IN 1970 TO 15 BILLION PESOS IN 1976.

IN REVIEWING THE IRON AND STEEL SECTOR, THE PRESIDENT STRESSED THE ACHIEVEMENT IN INCREASING MEXICAN PRODUCTION CAPACITY FROM 4.8 MILLION TONS IN 1970 TO 10 MILLION TONS
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EXPECTED TO BE REACHED BY THE END OF THIS YEAR. HE LAID SPECIAL EMPHASIS ON THE SICARTSA PROJECT AND MADE SPECIFIC REFERENCE TO THE SECOND STAGE EXPANSION, WHICH HE SAID WOULD RUN FROM 1976 UNTIL 1982. (DUE TO RECENT FINANCIAL PROBLEMS, INCLUDING COST OVERRUNS AND DELAYS IN START-UP, IT HAD BEEN RUMORED THAT PHASE TWO WOULD BE POSTPONED).

E. REGIONAL AND URBAN DEVELOPMENT

THE PRESIDENT REVIEWED A VARIETY OF PROGRAMS DESIGNED TO IMPROVE THE LOT OF THE MEXICAN PEOPLE, WITH EMPHASIS ON THOSE OUTSIDE OF THE URBAN AREAS.

HE BEGAN BY OUTLINING MEASURES TAKEN TO OBTAIN POLITICAL, ECONOMIC AND SOCIAL DECENTRALIZATION. IN THIS CONTEXT HE MENTIONED THE SYSTEM OF IN-BOND PROCESSING AND ASSEMBLY

PLANTS, STRESSING THEIR VALUE IN CREATING JOBS AND ATTRACTING BORDER CONSUMERS TO THE DOMESTIC MARKET. HE ALSO MENTIONED THE TOURIST COMPLEXES IN GUERRERO STATE AND AT CANCUN, AND, IN THE POLITICAL FIELD, THE ESTABLISHMENT OF PROVINCIAL OFFICES BY SIXTY-THREE PRINCIPAL PUBLIC INSTITUTIONS. TO ASSIST IN PLANNING, 93 PERCENT OF THE COUNTRY'S TERRITORY HAS BEEN AERIALY PHOTOGRAPHED AND CHARTED. PLANS HAVE BEEN DRAFTED FOR PUBLIC SECTOR INVESTMENTS AT STATE AND REGIONAL LEVELS BY THE PROMOTION COMMITTEES FOR SOCIO-ECONOMIC DEVELOPMENT, HEADED BY THE STATE GOVERNORS. STATING THAT 8 PERCENT OF ALL FEDERAL PUBLIC EXPENDITURES DURING THE PAST SIX YEARS WERE ALLOCATED FOR DISBURSEMENT BY LOCAL AUTHORITIES. HE PRESENTED A LONG LIST OF SPECIFIC PUBLIC WORKS ACHIEVEMENTS AROUND THE COUNTRY.

TURING TO URBAN DEVELOPMENT, HE NOTED THAT THE FEDERAL BOARDS FOR MATERIAL IMPROVEMENT HAVE INVESTED FUNDS TO AID 46 CITIES LOCATED IN COASTAL AND BORDER AREAS BETWEEN 1971 AND 1976.

THE PRESIDENT ALSO ALLUDED TO THE CONTROVERISAL HUMAN SETTLEMENTS LAW, WHICH IS MEXICO'S FIRST VENTURE INTO REGIONAL PLANNING AND ZONING.

1. REACTIONS TO THIS SIX-HOUR PERFORMANCE AND SUCH PORTIONS LIMITED OFFICIAL USE

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OF IT AS WARRENT MORE DETAILED COVERAGE WILL BE SUBJECTS OF FURTHER REPORTING.
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